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RUEHBJ/AMEMBASSY BEIJING PRIORITY 1038  
RUEHKL/AMEMBASSY KUALA LUMPUR PRIORITY 0030  
RUEHKO/AMEMBASSY TOKYO PRIORITY 0909  
RUEHIT/AMCONSUL ISTANBUL PRIORITY 1486  
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RHEFDIA/DIA WASHDC PRIORITY  
RUEKJCS/JOINT STAFF WASHDC PRIORITY  
RUEKJCS/SECDEF WASHDC PRIORITY  
RHEHNSC/NSC WASHDC PRIORITY  
RUCPDOG/DEPT OF COMMERCE WASHDC PRIORITY  
RHEBAAA/DEPT OF ENERGY WASHDC PRIORITY

C O N F I D E N T I A L SECTION 01 OF 02 ASHGABAT 000044

SIPDIS

SIPDIS

STATE FOR SCA/CEN, SCA/RA, EUR/CARC, EEB (AMB. MANN)  
PLEASE PASS TO USTDA DAN STEIN  
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E.O. 12958: DECL: 01/09/2018  
TAGS: [PREL](#) [PGOV](#) [EPET](#) [AZ](#) [TX](#)  
SUBJECT: TURKMENISTAN: PETRONAS SEEKS OPTIONS TO EXPORT  
GAS

REF: A. ASHGABAT 0034  
[1](#)B. 07 ASHGABAT 1076

Classified By: Charge Richard E. Hoagland for reasons 1.4(B) and (D).

[1](#)1. (C) SUMMARY: While the Malaysia-based hydrocarbon company Petronas continues to move forward with plans to begin producing natural gas in Turkmenistan's Livonov block, it still has not reached any final conclusions about how to transport that gas to market, according to the company's country manager. Petronas believes that liquified petroleum gas (LPG) makes economic sense, but also remains interested in transporting its gas to Russia, either by a pipeline that it would be willing to build or by a Caspian littoral pipeline, if the three countries party to the littoral pipeline agreement can narrow differences on routing, specifications, and cost structure that he claims still exist. Post believes that Petronas is not being kept in the loop on the status of the littoral pipeline agreement, a fact which may explain the frustration the country manager demonstrated throughout the meeting. As he made clear, Petronas has to be driven by business imperatives, not political, and it must make its Caspian Sea operations profitable within the 20-year operating window of its production sharing agreement. A Caspian inter-connector of existing Turkmenistan and Azerbaijani infrastructure would provide Petronas an option to export its gas directly westward. END SUMMARY.

[1](#)2. (C) During a January 8 meeting, Suleiman Abdullah, the Country Manager for Petronas, stated that Petronas currently is engaging in price negotiations with the government for the gas which it plans to begin producing very soon, possibly as early as 2009. It is considering transporting its natural gas by pipeline, as liquified petroleum gas (LPG), or a combination of the two. Petronas believes that LPG makes economic sense, and has already opened discussions with Iran

about possible sales. However, Suleiman stressed, Petronas also remains interested in building a pipeline north to Russia.

13. (C) During the meeting, Suleiman expressed doubt that Turkmenistan, Kazakhstan and Russia have reached agreement on the routing, specifications and cost structure of the new Caspian littoral pipeline. (He suggested that the Russians may be pressing to run the new littoral pipeline directly from Beyneu to Alexandrov Gai, without the extra twist that ensures the pipeline stays on land, a change that does not immediately make economic or engineering sense.) Suleiman also said that completion of any littoral pipeline is still some years off, leading Petronas to do some contingency planning.

14. (C) Specifically, Suleiman claimed, Petronas is planning to recondition the existing Central Asia-Center III pipeline to begin transporting a maximum of 5 billion cubic meters (bcm) of gas very soon. By 2011, Petronas would seek to lay a second parallel pipeline that could carry an additional 5 bcm. Suleiman said Petronas was in touch up to a year ago with KazTransGaz to discuss link-ups and transport beyond the Turkmenistan border. However, Petronas cut off these communications at the request of the Government of Turkmenistan. (COMMENT: The Petronas idea of a parallel littoral pipeline is essentially the Prikaspiskyy agreement Putin, Nazarbayev, and Berdimuhamedov signed in May 2007. That might be the reason Turkmenistan asked Petronas to stand down. END COMMENT.)

15. (C) COMMENT: After years of avoiding Embassy personnel,  
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Petronas over the last six months has become increasingly receptive to contacts with us. The January 8 meeting was the first any Embassy officer has had in Petronas' offices. Post believes this is due to a combination of less pressure from the Government of Turkmenistan and a wish to keep options open, even though he previously voiced doubts about the feasibility of a Trans-Caspian pipeline (ref B). Petronas is operating in a complex political environment where it must balance the interests of the different stakeholders. Suleiman was visibly much more frustrated during this meeting than in previous encounters, and seems to be feeling pressure to make Petronas' operations profitable within the 20-year operating window of its production sharing agreement. He made clear -- as he has in other recent meetings -- that Petronas is driven by business imperatives, not political, and will choose the deal that makes the best business sense.

16. (C) COMMENT CONTINUED: Progress on Turkmenistan-Azerbaijan Caspian delimitation (ref A) and a feasibility study for interlinking existing infrastructure would provide the option for Petronas to flow its gas directly westward through the South Caucasus to Turkey. END COMMENT.  
HOAGLAND